

**REPORT OF THE AUDIT OF THE  
GREENUP COUNTY  
SHERIFF'S SETTLEMENT - 2002 TAXES**

**April 30, 2003**



**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**  
**[www.kyauditor.net](http://www.kyauditor.net)**

**144 CAPITOL ANNEX  
FRANKFORT, KY 40601  
TELEPHONE (502) 564-5841  
FACSIMILE (502) 564-2912**





EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Robert W. Carpenter, Greenup County Judge/Executive  
Honorable Keith Cooper, Greenup County Sheriff  
Members of the Greenup County Fiscal Court

The enclosed report prepared by Morgan-Franklin, LLC, Certified Public Accountants, presents the Greenup County Sheriff's Settlement - 2002 Taxes.

We engaged Morgan-Franklin, LLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Morgan-Franklin, LLC, evaluated the Greenup County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett".

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Enclosure





**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**GREENUP COUNTY**  
**SHERIFF'S SETTLEMENT - 2002 TAXES**

**April 30, 2003**

Morgan-Franklin, LLC, has completed the audit of the Sheriff's Settlement - 2002 Taxes for Greenup County Sheriff as of April 30, 2003. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected taxes of \$11,917,552 for the districts for 2002 taxes, retaining commissions of \$377,686 to operate the Sheriff's office. The Sheriff distributed taxes of \$11,637,950 to the districts for 2002 Taxes. Taxes of \$1,072 are due districts.

**Report Comment:**

The Sheriff's Office Lacks Adequate Segregation Of Duties

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds



## CONTENTS

PAGE

|   |    |
|---|----|
| INDEPENDENT AUDITOR'S REPORT .....  | 1  |
| SHERIFF'S SETTLEMENT - 2002 TAXES .....   | 3  |
| NOTES TO FINANCIAL STATEMENT .....  | 5  |
| COMMENT AND RECOMMENDATION .....  | 8  |
| REPORT ON COMPLIANCE AND ON INTERNAL CONTROL<br>OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL<br>STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS ..... | 10 |





***Morgan-Franklin, LLC  
Certified Public Accountants  
PO Box 428  
513 Main Street  
West Liberty, Kentucky 41472***

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Robert W. Carpenter, Greenup County Judge/Executive

Honorable Keith Cooper, Greenup County Sheriff

Members of the Greenup County Fiscal Court

**Independent Auditor's Report**

We have audited the Greenup County Sheriff's Settlement - 2002 Taxes as of April 30, 2003. This tax settlement is the responsibility of the Greenup County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Greenup County Sheriff's taxes charged, credited, and paid as of April 30, 2003, in conformity with the modified cash basis of accounting.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Robert W. Carpenter, Greenup County Judge/Executive  
Honorable Keith Cooper, Greenup County Sheriff  
Members of the Greenup County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated October 21, 2003, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff's Office Lacks Adequate Segregation Of Duties

Respectfully submitted,

*Morgan - Franklin, LLC*

Morgan-Franklin, LLC

Audit fieldwork completed -  
October 21, 2003

GREENUP COUNTY  
KEITH COOPER, COUNTY SHERIFF  
SHERIFF'S SETTLEMENT - 2002 TAXES

April 30, 2003

| <u>Charges</u>                   | <u>County Taxes</u> | <u>Special<br/>Taxing Districts</u> | <u>School Taxes</u> | <u>State Taxes</u>  |
|----------------------------------|---------------------|-------------------------------------|---------------------|---------------------|
| Real Estate                      | \$ 906,058          | \$ 1,979,002                        | \$ 5,594,549        | \$ 1,359,087        |
| Tangible Personal Property       | 101,557             | 215,546                             | 596,467             | 483,318             |
| Intangible Personal Property     |                     |                                     |                     | 324,002             |
| Fire Protection                  | 2,913               |                                     |                     |                     |
| Increases Through Exonerations   | 459                 | 1,242                               | 2,543               | 658                 |
| Omitted Taxes                    | 377                 | 386                                 | 2,486               | 583                 |
| Franchise Corporation            | 133,161             | 253,255                             | 850,197             |                     |
| Additional Billings              | 9,240               | 19,332                              | 53,828              | 17,662              |
| Oil and Gas Property Taxes       | 552                 | 999                                 | 3,532               | 827                 |
| Penalties                        | 7,629               | 16,891                              | 47,405              | 12,028              |
| Adjusted to Sheriff's Receipt    | (4)                 | 153                                 | 670                 | 271                 |
| Gross Chargeable to Sheriff      | <u>\$ 1,161,942</u> | <u>\$ 2,486,806</u>                 | <u>\$ 7,151,677</u> | <u>\$ 2,198,436</u> |
| <u>Credits</u>                   |                     |                                     |                     |                     |
| Exonerations                     | 11,709              | 27,413                              | 76,731              | 17,521              |
| Discounts                        | 13,816              | 29,787                              | 83,896              | 29,375              |
| Delinquents:                     |                     |                                     |                     |                     |
| Real Estate                      | 46,451              | 103,563                             | 290,925             | 69,488              |
| Tangible Personal Property       | 5,255               | 10,486                              | 28,051              | 29,309              |
| Intangible Personal Property     |                     |                                     |                     | 161,753             |
| Uncollected Franchise            | 5,030               | 9,074                               | 31,676              |                     |
| Total Credits                    | <u>\$ 82,261</u>    | <u>\$ 180,323</u>                   | <u>\$ 511,279</u>   | <u>\$ 307,446</u>   |
| Taxes Collected                  | \$ 1,079,681        | \$ 2,306,483                        | \$ 6,640,398        | \$ 1,890,990        |
| Less: Commissions (a)            | <u>46,174</u>       | <u>98,025</u>                       | <u>152,832</u>      | <u>80,655</u>       |
| Taxes Due                        | \$ 1,033,507        | \$ 2,208,458                        | \$ 6,487,566        | \$ 1,810,335        |
| Taxes Paid                       | 1,029,289           | 2,197,822                           | 6,613,303           | 1,797,536           |
| Refund of School Commissions     |                     |                                     | (153,037)           |                     |
| Refunds (Current and Prior Year) | <u>4,194</u>        | <u>10,582</u>                       | <u>26,493</u>       | <u>12,612</u>       |

(a), (b) and (c) See Page 4

The accompanying notes are an integral part of this financial statement.

GREENUP COUNTY  
 KEITH COOPER, SHERIFF  
 SHERIFF'S SETTLEMENT – 2002 TAXES  
 April 30, 2003  
 (Continued)

|  |       |       |        |        |
|--|-------|-------|--------|--------|
| Due Districts or (Refunds Due Sheriff) | (b)   | (c)   |        |        |
| as of Completion of Fieldwork          | \$ 24 | \$ 54 | \$ 807 | \$ 187 |

(a) Commissions:

|          |              |
|----------|--------------|
| 10% on   | \$ 10,000    |
| 2.5% on  | \$ 4,004,904 |
| 2% on    | \$ 2,635,494 |
| 4.25% on | \$ 5,267,154 |

(b) Special Taxing Districts:

|                            |         |
|----------------------------|---------|
| Library District           | \$ 490  |
| Health District            | 286     |
| Extension District         | (1,340) |
| Load Fire District         | (131)   |
| Ambulance District         | 446     |
| Lloyd Fire District        | 135     |
| City of South Shore        | 37      |
| City of Greenhup           | (33)    |
| City of Raceland           | 183     |
| South Shore Fire District  | 11      |
| Wurtland Fire District     | 4       |
| Maloneton Fire District    | 42      |
| Oldtown Fire District      | 22      |
| Firbrick Fire District     | (49)    |
| Little Sandy Fire District | (49)    |

|                                       |       |
|---------------------------------------|-------|
| Due Districts or (Refund Due Sheriff) | \$ 54 |
|---------------------------------------|-------|

(c) School Taxing Districts

|          |          |
|----------|----------|
| Common   | \$ 1,441 |
| Russell  | (240)    |
| Raceland | (394)    |

|                                       |        |
|---------------------------------------|--------|
| Due Districts or (Refund Due Sheriff) | \$ 807 |
|---------------------------------------|--------|

The accompanying notes are an integral part of this financial statement.

GREENUP COUNTY  
NOTES TO FINANCIAL STATEMENT

April 30, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of April 30, 2003 and November 8, 2002, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

GREENUP COUNTY  
NOTES TO FINANCIAL STATEMENT  
April 30, 2003  
(Continued)

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2002. Property taxes were billed to finance governmental services for the year ended June 30, 2003. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 23, 2002 through April 30, 2003.

Note 4. Interest Income

The Greenup County Sheriff earned \$9,763 as interest income on 2002 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office. As of October 21, 2003, the Sheriff owes \$10 in interest to the Raceland School District and \$109 in interest to his fee account.

Note 5. Sheriff's 10% Add-On Fee

The Greenup County Sheriff collected \$70,224 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

Note 6. Advertising Fees

The Greenup County Sheriff collected \$1,450 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The advertising fees will be used to operate the Sheriff's office.

COMMENT AND RECOMMENDATION





GREENUP COUNTY  
KEITH COOPER, COUNTY SHERIFF  
COMMENT AND RECOMMENDATION

As of April 30, 2003

INTERNAL CONTROL - REPORTABLE CONDITIONS:

The Sheriff's Office Lacks Adequate Segregation Of Duties

During our audit we noted the Sheriff's internal control structure lacked an adequate segregation of duties. This deficiency occurs when someone has custody over assets and the responsibility of recording financial transactions. In our judgment, this condition could adversely affect the Sheriff's ability to record, process, summarize, and report accurate financial information.

We recommend the Sheriff obtain additional staff to divide the responsibilities or implement the following compensating controls that would help offset the lack of adequate segregation of duties:

- Cash recounted and deposited by the Sheriff
- Reconciliation of reports to source documents and receipts and disbursements ledgers by the Sheriff
- All disbursement checks are to be signed by two people and one must be the Sheriff
- All disbursements checks prepared by an employee are examined by the Sheriff for proper documentation
- The Sheriff mails disbursements
- The Sheriff or someone independent of the Sheriff's office prepares bank reconciliations

*Sheriff's Response: O.K. Will do better with limited personnel we have.*

PRIOR YEAR:

All prior year comments and recommendations were corrected in the current year

THIS PAGE LEFT BLANK INTENTIONALLY

REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



***Morgan-Franklin, LLC  
Certified Public Accountants  
PO Box 428  
513 Main Street  
West Liberty, Kentucky 41472***

To the People of Kentucky

Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Robert W. Carpenter, Greenup County Judge/Executive  
Honorable Keith Cooper, Greenup County Sheriff  
Members of the Greenup County Fiscal Court

**Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Greenup County Sheriff's Settlement - 2002 Taxes as of April 30, 2003, and have issued our report thereon dated October 21, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Greenup County Sheriff's Settlement - 2002 Taxes as of April 30, 2003 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Greenup County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying comments and recommendations.

- The Sheriff's Office Lacks Adequate Segregation Of Duties

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

*Morgan - Franklin, LLC*

Morgan-Franklin, LLC

Audit fieldwork completed -  
October 21, 2003

